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Revised Fiscal Note

(replaces fiscal note dated February 12, 2024)

Drafting Number: LLS 24-0412 Date: February 27, 2024
Prime Sponsors: Rep. Lieder; Amabile Bill Status: House Appropriations
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Bill Topic: INCREASING PROTECTIONS FOR MINOR WORKERS

Summary of Fiscal Impact: [X] State Revenue [] State Transfer [] Local Government
[X] State Expenditure [X] TABOR Refund [] Statutory Public Entity

The bill increases the remedies and penalties for violations of child labor laws. It increases state revenue and expenditures on an ongoing basis.

Appropriation Summary: For FY 2024-25, the bill requires an appropriation of \$125,255 to the Department of Labor and Employment.

Fiscal Note Status: The fiscal note reflects the introduced bill, as amended by the House Business and Labor Committee.

Table 1
State Fiscal Impacts Under HB 24-1095

Table with 4 columns: Category, Sub-category, Budget Year FY 2024-25, and Out Year FY 2025-26. Rows include Revenue (Cash Funds, Total Revenue), Expenditures (General Fund, Centrally Appropriated, Total Expenditures, Total FTE), Transfers, and Other Budget Impacts (TABOR Refund, General Fund Reserve).

Summary of Legislation

The bill increases the remedies and penalties for violations of the “Colorado Youth Employment Opportunity Act of 1971” and requires that fine revenue be deposited into the Wage Theft Enforcement Fund. Entities that violate the act must also pay specified damages to the aggrieved individual. The bill eliminates the current law penalizing a person with legal responsibility for a minor, who knowingly permits the minor to be employed in violation of the act. The bill also allows a reduction or elimination of fines if a minor worker intentionally misleads an employer with regard to the minor’s age and the employer reached out to a third party to attempt to verify the minor’s age.

The director of the Division of Labor Standards and Statistics (DLSS) in the Department of Labor and Employment (CDLE) must issue a written notice to an employer with a description of penalties and damages owed if the act is violated. The employer may file a written request for an appeal within 35 days.

The bill also requires the DLSS to treat all final orders issued for violations of the act as public records and to release information related to a violation to the public upon request, unless the director determines the information is a trade secret.

Background & Assumptions

The fiscal note assumes the bill will increase the volume of child labor investigations in the DLSS, and estimates the DLSS will undertake the following investigations on an annual basis:

- 18 individual-worker child labor investigations (46 hours each);
- 6 systemic child labor investigations (200 hours each); and,
- 7 retaliation investigations (60 hours each).

The bill will require the DLSS to investigate whether a violation was “willful” and whether an individual is personally responsible enough to be held liable, which will require additional evidence-gathering, research, and legal analysis. The fiscal note also assumes the DLSS will assess fines in 12 of the 24 child labor investigations, and that 20 percent of employers found to violate may go out of business or prove unable to be collected from.

State Revenue

The bill will increase the revenue to the CDLE by an estimated \$19,200 in FY 2024-25 (half-year impact) and \$38,400 in FY 2025-26 and ongoing years. While fine revenue could amount to up to \$48,000, the fiscal note assumes the CDLE will only collect up to \$38,400 annually as it will only be able to collect from 80 percent of employers. The CDLE will also collect half the annual revenue in FY 2024-25 because fines will not be assessed on initial complaints and investigations until January 2025. If fines are reduced due to an employer being misled by a minor, the revenue increase will be smaller than estimated. Revenue is credited to the Wage Theft Enforcement Fund. Fine amounts and revenue are shown in Table 2.

Table 2
Annual Revenue from Fines for Child Labor Violations

Type of Violation	Fine	Annual Violations	Total
Duties Violation	\$2,000-\$4,000	4	\$8,000-\$16,000
"Willful" duties violation	\$5,000-\$10,000	2	\$10,000-\$20,000
Hours violation	\$250-\$1,000	4	\$1,000-\$4,000
"Willful" hours violation	\$500-\$4,000	2	\$1,000-\$8,000
Total Fine Revenue			up to \$48,000

State Expenditures

The bill increases state expenditures in the CDLE by about \$152,000 in FY 2024-25 and \$124,000 in FY 2025-26 and ongoing, paid from the General Fund. Expenditures are shown in Table 3 and detailed below.

Table 3
Expenditures Under HB 24-1095

	FY 2024-25	FY 2025-26
Department of Labor and Employment		
Personal Services	\$110,191	\$93,538
Operating Expenses	\$1,792	\$1,536
Capital Outlay Costs	\$6,670	-
Software Licenses	\$6,602	\$6,602
Centrally Appropriated Costs ¹	\$26,715	\$22,812
Total Cost	\$151,969	\$124,448
Total FTE	1.4 FTE	1.2 FTE

¹ Centrally appropriated costs are not included in the bill's appropriation.

Labor and Employment. The bill increases costs in the Division of Labor Standards and Statistics in the CDLE starting in FY 2024-25 to implement the program and respond to complaints.

- **Staffing.** The CDLE requires 1.4 FTE in FY 2024-25 and 1.2 FTE in ongoing years for program management and compliance investigation staff to implement and enforce the provisions of this bill, as outlined in the Assumptions section. Investigation staff will conduct, complete, and issue findings and orders for the new child labor complaints, plus conduct enforcement of penalties and orders after January 1, 2025. Standard operating and capital outlay costs are included and first-year costs assume a July 2024 start date—see Technical Note.
- **Legal services.** The CDLE may require up to 100 hours of legal services, provided by the Department of Law, which can be accomplished within existing appropriations.

Judicial Department. The bill may increase the number of civil case filings, which would add new administrative workload for clerks. Any increase in filings is expected to be minimal and absorbable within the existing resources.

Centrally appropriated costs. Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. These costs, which include employee insurance and supplemental employee retirement payments, are shown in Table 3.

Other Budget Impacts

TABOR refunds. The bill is expected to increase the amount of state revenue required to be refunded to taxpayers by the amounts shown in the State Revenue section above. This estimate assumes the December 2023 LCS revenue forecast. A forecast of state revenue subject to TABOR is not available beyond FY 2025-26. Because TABOR refunds are paid from the General Fund, increased cash fund revenue will reduce the amount of General Fund available to spend or save.

General Fund reserve. Under current law, an amount equal to 15 percent of General Fund appropriations must be set aside in the General Fund statutory reserve. Based on this fiscal note, the bill is expected to increase the amount of General Fund held in reserve by the amounts shown in Table 1, decreasing the amount of General Fund available for other purposes.

Technical Note

The bill's effective date precludes the CDLE from receiving an appropriation in July 2024 to begin implementing the bill. The costs in this fiscal note assume the effective date will be adjusted to allow for a full-year appropriation in FY 2024-25, prior to the other provisions taking effect on January 1, 2025.

Effective Date

The bill takes effect January 1, 2025, and applies to conduct occurring on or after that date.

State Appropriations

For FY 2024-25, the bill requires a General Fund appropriation of \$125,255 to the Department of Labor and Employment, and 1.2 FTE.

State and Local Government Contacts

Counties
Labor

Human Services
Law

Judicial
Treasury

The revenue and expenditure impacts in this fiscal note represent changes from current law under the bill for each fiscal year. For additional information about fiscal notes, please visit the [General Assembly website](#).